

We Help Put America Through School



Student Financial Assistance

E-Sign Master Promissory Note

February 14, 2001

E-Note: Why now?

- E-sign legislation (effective July 2001)
 - applies to FFEL
 - requires standards be in place
- GPEA (effective 2003)
 - applies to Direct Loan
- Implementing in July 2001 allows SFA to
 - apply standards
 - support FFEL process by allowing PIN usage
 - keep Direct Loan competitive
- Interoperability with SFA partners

E-Sign Master Promissory Note

- Scope and Benefits -

■ Current Environment:

- Paper intensive
- High storage costs
- Error prone
- Redundant data entry
- Many possible points of failure

■ Future Environment

- Electronic (web based) Process
- Lower print/storage costs
- Increased borrower control
- Consistent borrower view
- On-line access
- Leverage existing PIN
- **BORROWER CHOICE**

What we will do



- Phase I (now through July 2002)
 - design/implement operate process (including PIN site, e-note, home page, and storage)
 - study results of production
- Phase II (begins October 1,2001)
 - review cost savings opportunities
 - develop DCS interface
 - refine process, including move to ERM and sizing of systems
 - integrate with COD

Additional E-Sign Benefits

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- Establish standards for FFEL and Direct Loans
 - SFA Victory! List
 - Cornerstone of electronic processing
 - Standards for eCommerce
 - Schools
 - Integrated streamlined process
 - Decreased time and resources
 - Students
 - Supports easy access to eMPN information
 - Faster access to disbursements

Risk Mitigation:

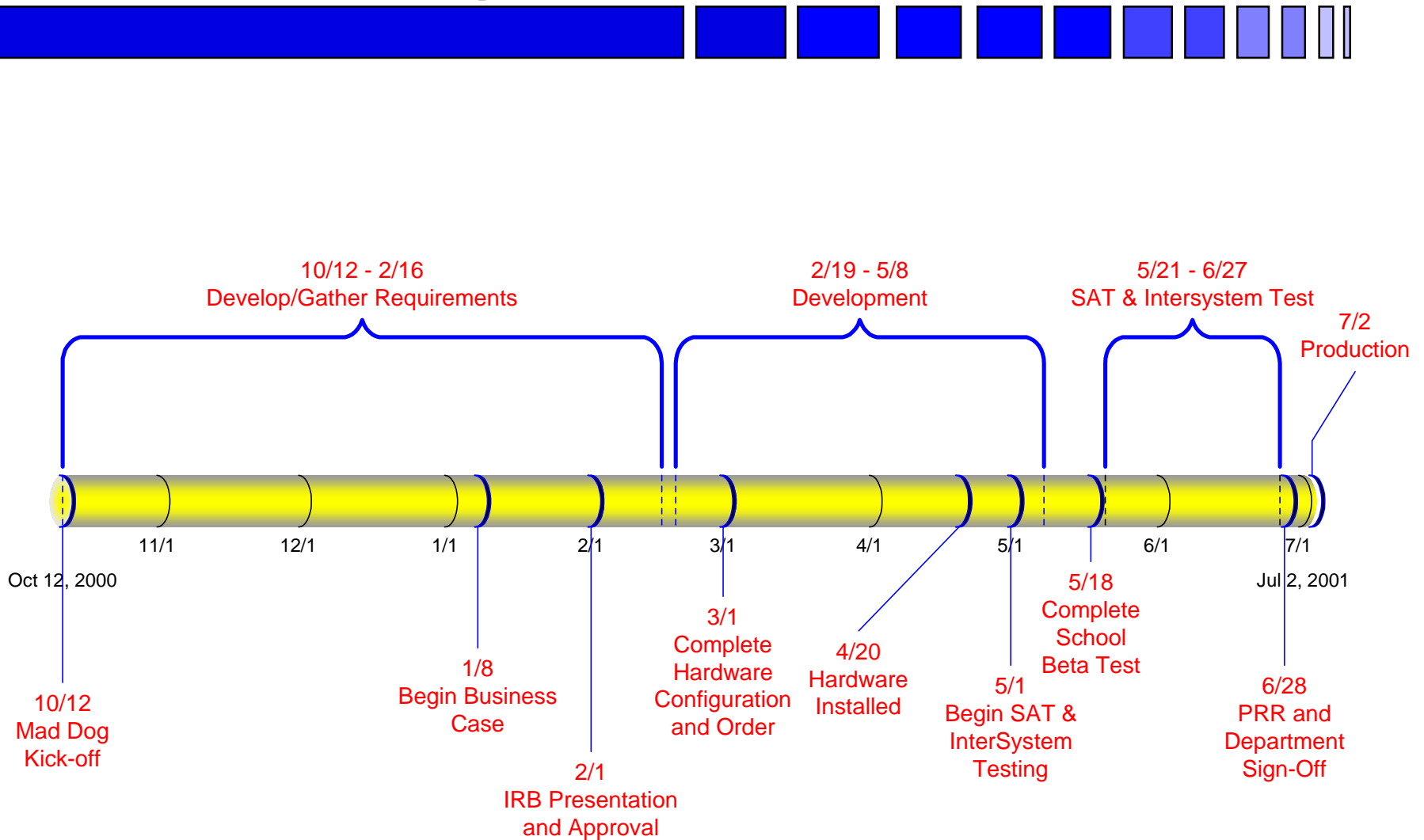
Build A Little, Test A Little



■ Assumptions:

- Electronic Stafford Master Promissory Notes and Consolidation Notes will be implemented in July
- Electronic PLUS and Joint Consolidations will be implemented in a subsequent implementation
- The eMPN Master D/B will initially be hosted on the VDC's SAN and will be independent from LO, Servicing, CPS, etc.
- The eMPN will be stored as an “electronic record” and not as an image

Key Milestone Dates




Direct Loan Origination

- Operating Partner: EDS
- Functionality implementing:
 - School choice on methods of participation
 - Link from school's web site directly to note site
 - Electronic Promissory Note for student to sign
 - Borrowers can print note or save electronically
 - PIN verification and note authorization captured
 - eMPNs stored in secure database accessible to others
- Costs: \$1,000,000
- FY 2001 (funded): \$ 500,000
- FY 2001 need: none

Direct Loan Servicing

- Operating Partner: ACS
- Functionality Implementing:
 - Direct Loan Home Page for students
 - Receive notification that borrower signed electronically
 - Receive references from LO for borrowers who signed electronically
 - Ability to access notes in the eMPN database
 - Ability to pass eMPN indicator to DCS
- Costs: \$500,000
- FY 2001 (funded) \$500,000
- FY 2001 need: none

Direct Loan Consolidation

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- Operating Partner: EDS
 - Functionality Implementing:
 - Electronic Promissory Note for student to sign
 - Borrowers can print note or save electronically
 - PIN verification and note authorization captured
 - eMPNs stored in secure database accessible to others
 - Costs: \$1,000,000
 - FY 2001 need: none

PIN Site



- Operating Partner: NCS
- Functionality Implemented:
 - Database changes for capturing audit information
 - Strengthen existing PIN security rules
 - Create participation management database
 - New edits for new features
- Costs: \$1,000,000
- FY 2001 need: \$1,000,000

VDC



- Operating Partner: CSC
- Functionality Implementing:
 - PIN site expansion to handle increased volume of hits
- Costs: \$457,000
- FY 2001 need: \$457,000

Modernization Partner



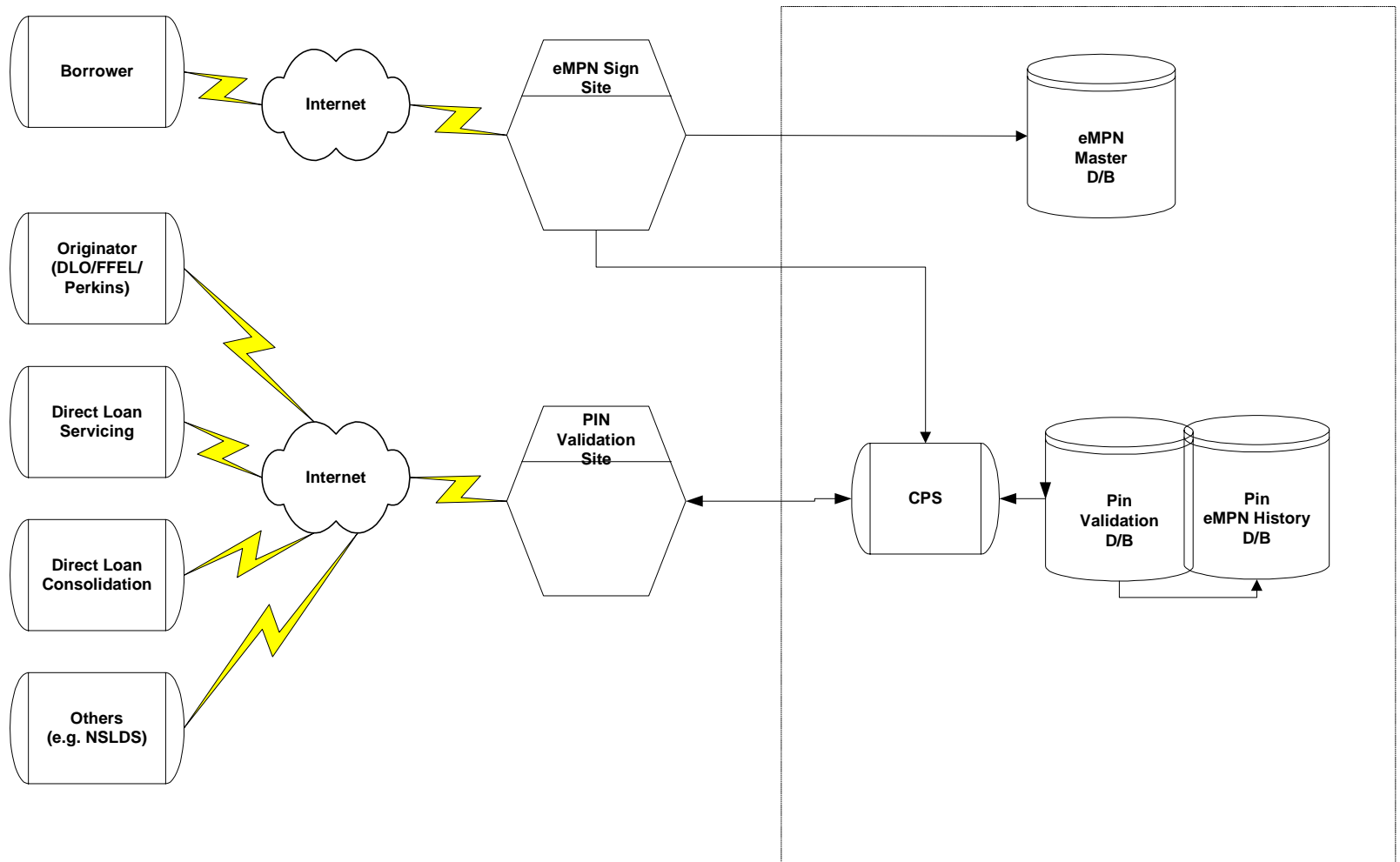
- Modernization Partner: Accenture
- Functionality Implementing:
 - Integration/coordination
 - EAI planning
- Costs: \$263,000
- FY 2001 need: \$263,000

eMPN Brings ED/SFA Financial Benefits

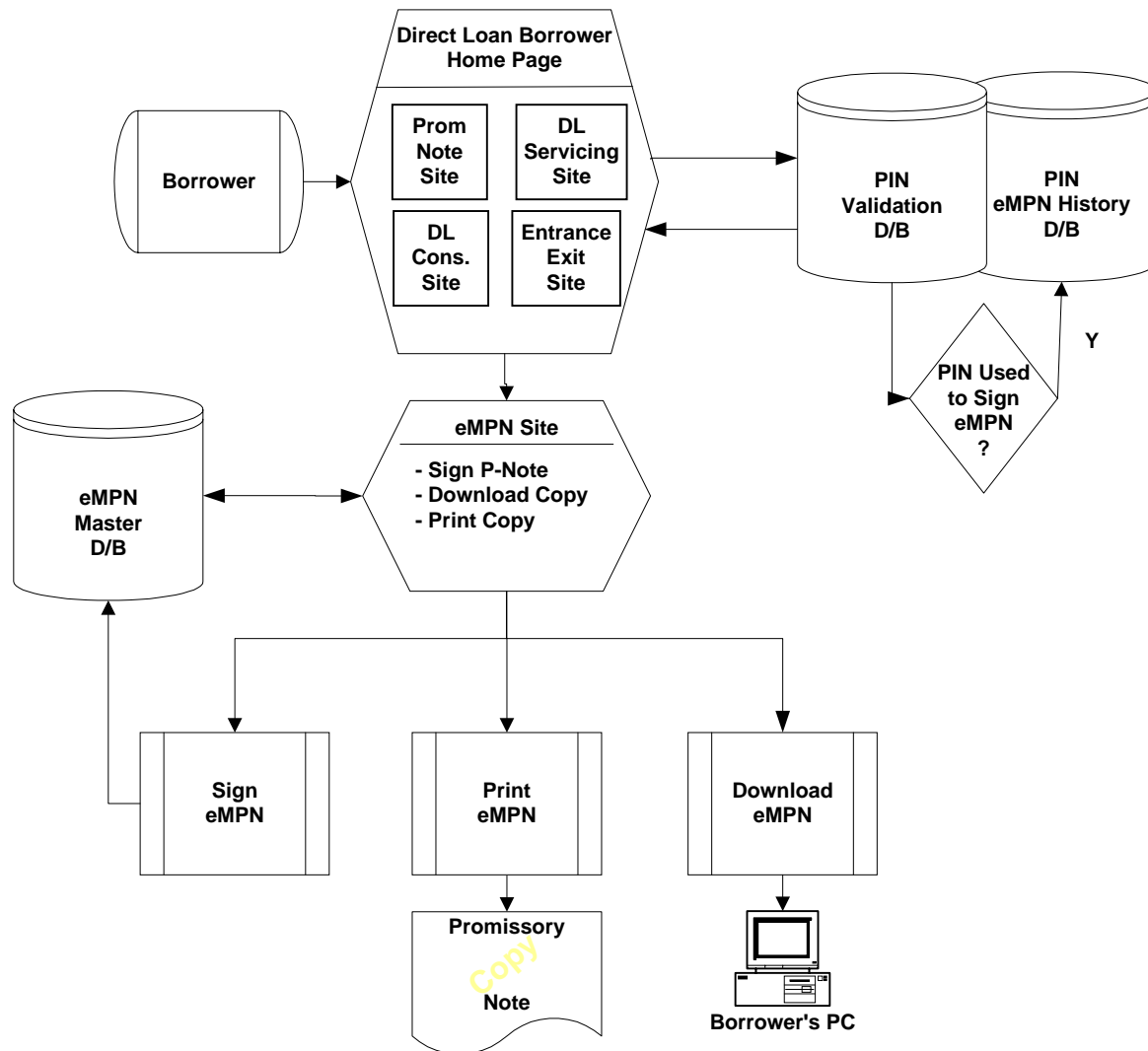


- SFA cost reductions:
 - Reduced cost for imaging and storing paper notes
 - Reduced cost for printing, storing, and postage
 - Reduced cost for retrieval of notes
- School cost reductions:
 - Reduced cost for storing bulk note supply
 - Reduced cost of mailings to students and SFA
 - Reduced staff time spent “tracking down” notes

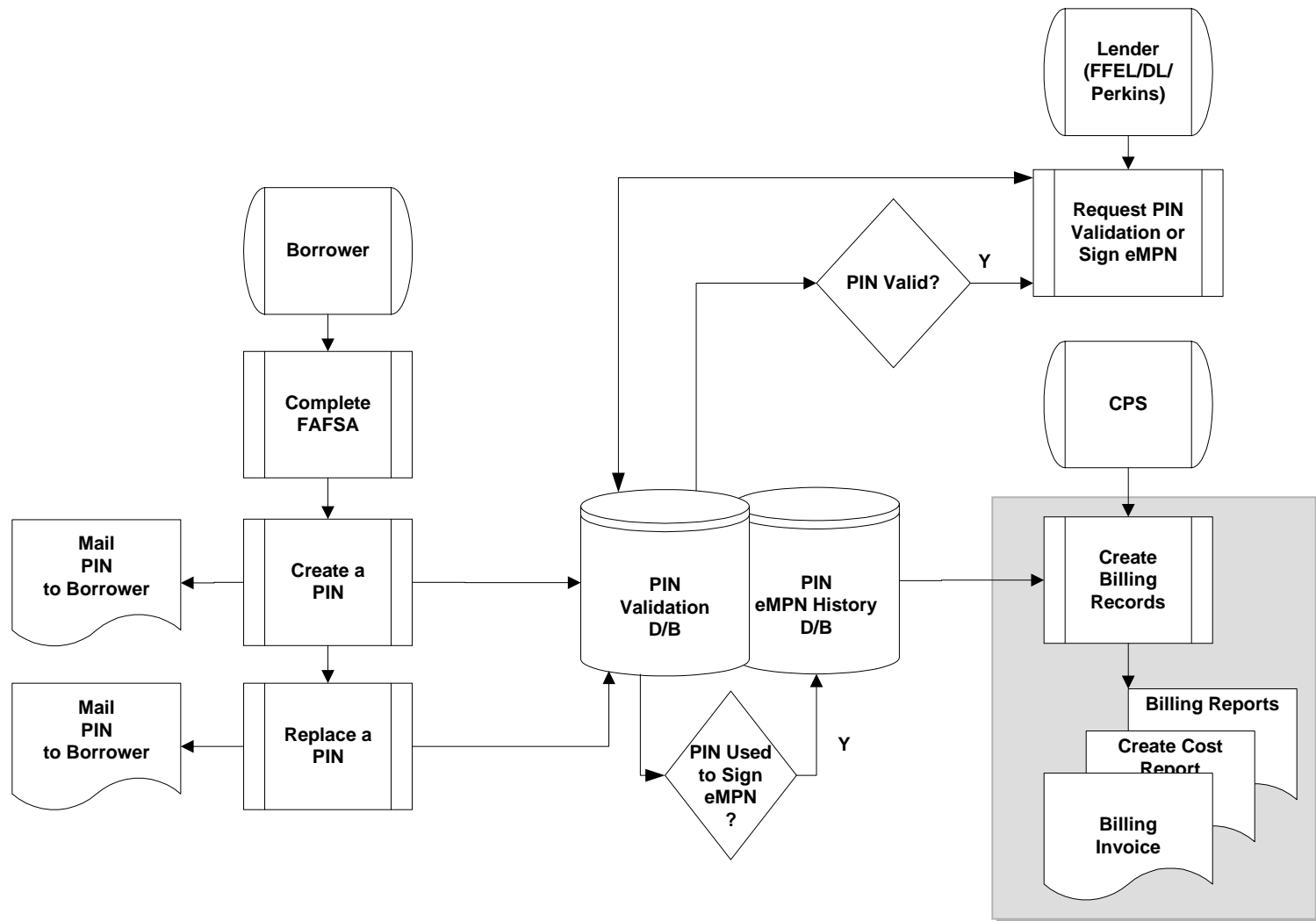
A High Level Overview



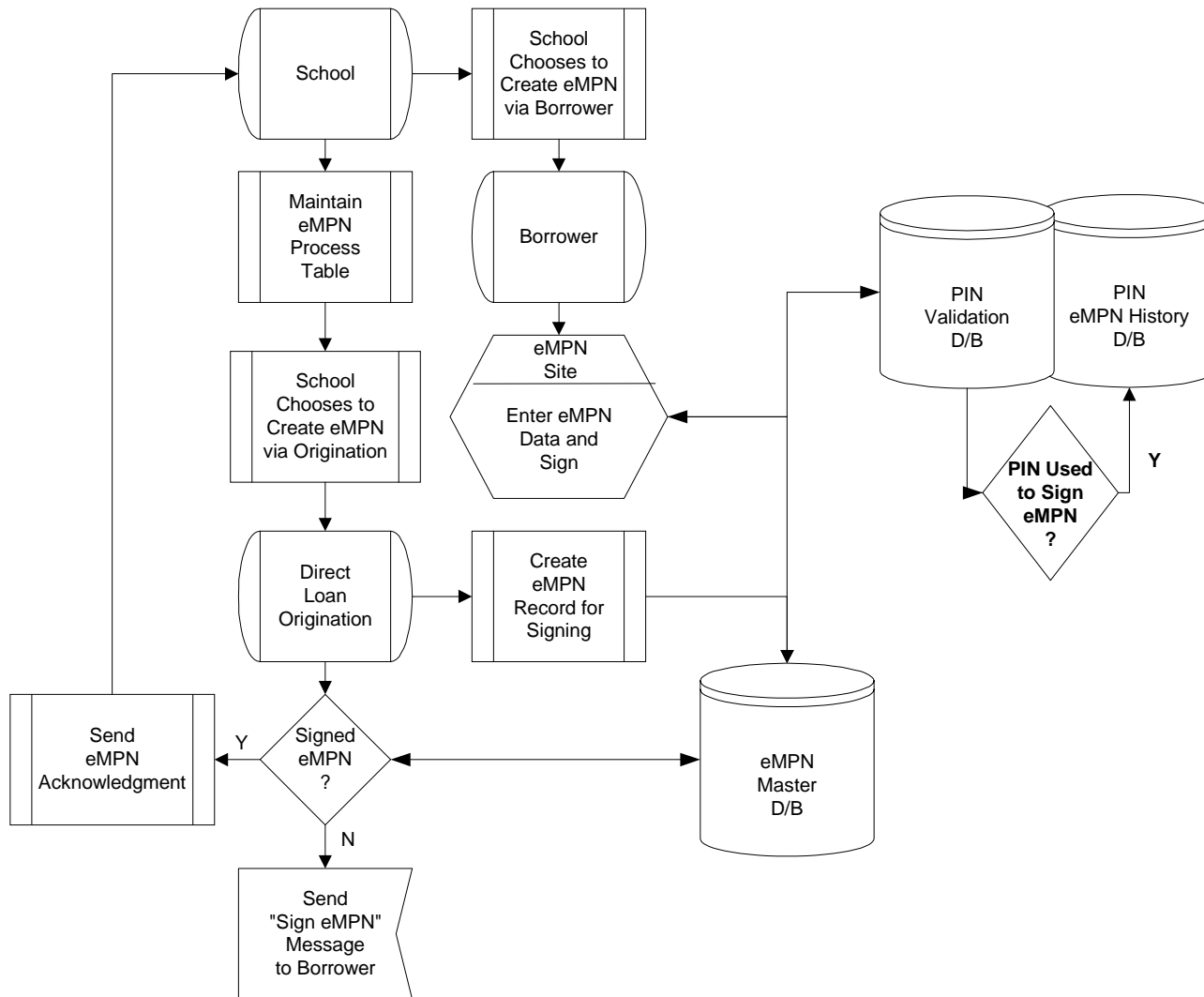
A Borrower's View



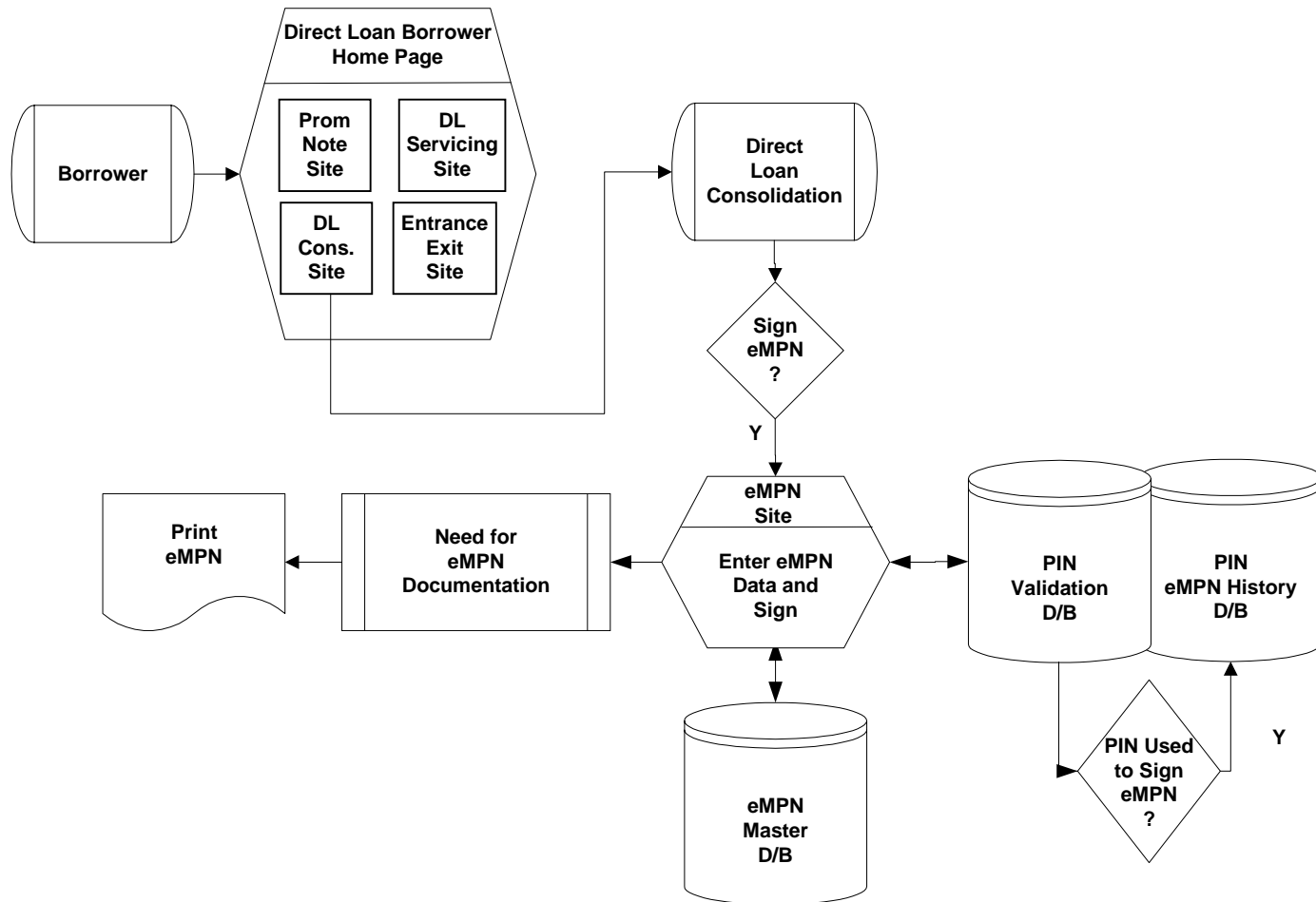
CPS/FAFSA PIN View



Direct Loan Origination View



Direct Loan Consolidation View



Direct Loan Servicing View

